



State of Arizona
Department of Education

SCHOOL FINANCE MEMORANDUM 18-012

TO: School District Superintendents, Business Managers, Joint Technological Education District Superintendents and Business Managers, Charter District Administrators, and Charter District Directors

FROM: Lyle Friesen, Deputy Associate Superintendent of School Finance

DATE: August 14, 2017

SUBJECT: FY 2018 Results-Based Funding Distribution, Eligibility Requirements, and Accounting and Expenditure Reporting

Pursuant to A.R.S. 15-249.08, the Results-Based Funding fund consists of legislative appropriations in the amount of \$37,600,000. The Arizona Department of Education (ADE) shall administer and distribute monies to School District or Charter Districts for their eligible schools, based on the statutory formula. Any monies spent from the Results-Based Funding fund by a School District or Charter District shall be accounted for at the school level, and detailed expenditure reporting will be required as part of the School District or Charter District FY 2018 Annual Financial Report (AFR).

Results-Based Funding in Two Distributions

ADE School Finance will distribute Results-Based Funding in two payments. The first payment will be distributed in September, 2017, and will be approximately 60% of the calculated allocation for the eligible schools of the School Districts and Charter Districts. The second payment will be distributed in May, 2018, and will consist of any remaining Results-Based Funding allocation.

The first payment will be calculated based on FY 2018 student counts (FY 2017 100th Day ADM for School District eligible schools, and FY 2018 Estimated Counts for Charter District eligible schools), as of July 14, 2017. The FY 2018 Results-Based Funding allocation file is located at: <http://www.azed.gov/finance/files/2017/08/FY18-Results-Based-Funding.pdf>

The second payment will be based on recalculated FY 2018 student counts (FY 2017 100th Day ADM for School District eligible schools, and FY 2018 AzEds ADM for Charter District eligible schools), at the time of the Results-Based Funding recalculation. This second payment will equal the recalculated annual Results-Based Funding amount minus the amount of the first payment distributed to each School District and Charter District for their eligible schools.

Current calculations indicate a shortfall of approximately 2.6%. A supplemental appropriation to cover the shortfall, which would be subject to legislative approval, is currently being discussed and would likely be included in the second distribution of funds later in the fiscal year. If the supplemental appropriation does not materialize, the shortfall will be allocated to each School District or Charter District school based on its recalculated annual Results-Based Funding allocation at the time of the second payment.

Results-Based Funding Eligibility Requirements

A School District or Charter District does not have to apply for Results-Based Funding for their eligible schools. The ADE School Finance will calculate the funding allocation, based on the statutory formula, for the School District or Charter District schools meeting the eligibility requirements.

1. Each school shall receive \$225 per student count if:
 - a.) fewer than 60% of the students who are enrolled meet the eligibility requirements for Free or Reduced priced lunches; and
 - b.) the school performed in the top 10% of all schools statewide as demonstrated by the average percentage of the students who obtained a passing score on the mathematics and language arts portions of the Spring 2016 administration of the AzMERIT statewide assessment. The Spring 2016 statewide assessment results are located at <http://www.azed.gov/accountability-research/data/>
2. Each school shall receive \$400 per student count if:
 - a.) 60% or more of the students who are enrolled meet the eligibility requirements for Free or Reduced priced lunches; and
 - b.) the school performed in the top 10% of schools, with a student population consisting of at least 60% students meeting the eligibility requirements for Free or Reduced priced lunches, as demonstrated by the average percentage of the students who obtained a passing score on the mathematics and language arts portions of the Spring 2016 administration of the AzMERIT statewide assessment. The Spring 2016 statewide assessment results are located at <http://www.azed.gov/accountability-research/data/>
3. Each alternative high school that is subject to a specialized rating system, and that in 2014 was assigned the equivalent of letter grade designation A, pursuant to section A.R.S. §15-241, shall receive \$400 per student count. A list of approved alternative schools is available at: <http://www.azed.gov/accountability-research/>
4. To remain eligible for funding, schools must show steady improvement after three years. ADE is planning to develop additional guidance surrounding this requirement and will distribute it to awarded schools once the guidance has been finalized.

Results-Based Funding Accounting and Expenditure Reporting

1. In accordance with A.R.S. §15-249.08, monies received must be allocated directly to enhance, expand or replicate the school site that generated the Results-Based Funding, and must not supplant monies budgeted or received from any other source that are generally provided to that school.
2. The majority of the monies received must be used for teacher salaries, to hire teachers, and to provide for teacher professional development.
3. A portion of the monies received may be used for the expansion and replication of that school site as a quality school model.
4. The monies must be used to sustain and replicate results:
 - a.) to serve more students on a waiting list at a school with a letter grade designation of A or B,
 - b.) to increase salaries for teachers, school leaders and other classroom staff,
 - c.) to close the achievement gap in high-poverty schools.
5. For the purposes of Results Based Funding, "replication" means:
 - a.) Adding seats and serving more students at the awarded school site.
 - b.) Using resources at a different location to improve that school or to sustain or accelerate academic growth.
 - c.) Mentoring other schools and school leaders to replicate the model or to provide other types of school improvement supports.
 - d.) Physically expanding at another location.

Monies received should be deposited in Fund 457 (School Districts) and Project 1457 (Charter Districts). The Results-Based Funding will be included by School Districts on page 6 of the expenditure budget, and by Charter Districts on page 2 of the expenditure budget. If not included on the FY 2018 Adopted budget, these monies may be included at the time of a budget revision prior to May 15, 2018. At a later date, additional guidance will be provided regarding the detailed school-level expenditure reporting that will be required as part of the FY 2018 Annual Financial Report (AFR).

In an effort to provide the most effective customer service, please direct all Results-Based Funding questions in an email to the School Finance payments team inbox at sfpaymentteam@azed.gov. If the email will concern the first payment of Results-Based Funding, that email is due to the School Finance payments team inbox by **August 28, 2017**, in order to allow School Finance staff sufficient time to respond prior to the first distribution of funding in September, 2017.